

## CODE OF ETHICS



- [About Direct Selling](#)
- [Benefits of Direct Selling](#)
- [Avoiding Illegitimate Schemes](#)
- [World Codes of Conduct](#)



### About Direct Selling/Ethics

#### What is Direct Selling?

Direct Selling involves the marketing of products and services directly to consumers in a person-to-person manner, away from permanent retail locations. Depending on the company, the salespeople may be called distributors, representatives, consultants or various other titles. Products are sold primarily through in-home product demonstrations, parties and one-on-one selling.

#### What is Multi-Level Marketing?

Multilevel marketing, also known as "network marketing," "relationship marketing" and "multilevel direct selling," is an important component of the Direct Selling industry. More than 80% of all direct selling companies worldwide now employ some form of multilevel compensation in their sales plans. It has proven over many years to be a highly successful and effective method of compensation used by direct selling firms for encouraging the distributing products and services directly to consumers. This direct distribution of products provides sales network commissions and retail profits to independent salespersons or distributors.

Multilevel marketing is simply one of a variety of methods of organizing and compensating salespeople in a direct selling business for their management, training, motivating and recruiting of a network of sales persons who will sell their companies' products to consumers. Therefore, it may best be described as a direct selling compensation plan in which salespeople may receive compensation in two fundamental ways. First salespeople may earn compensation from their personal sales of goods and services to consumers including retail mark-up profit. Second, they may earn compensation from the sales of those persons they have personally recruited or sponsored into the plan; and they may also earn compensation from the sales of the group or network recruited or sponsored into the plan by those they have personally recruited. Thus, multilevel marketing offers a direct seller the opportunity to build one's own independent business selling goods and services to consumers and developing and training an organization or network of direct sellers to do the same.

## CODE OF ETHICS



- [About Direct Selling](#)
- [Benefits of Direct Selling](#)
- [Avoiding Illegitimate Schemes](#)
- [World Codes of Conduct](#)

## Benefits of Direct Selling

Research shows that the following are some of the most popular reasons people choose full or part time careers in direct selling:

- Direct selling is a good way to meet and socialize with people.
- Direct selling offers flexible work schedules.
- Direct selling is a good way to earn extra income.
- Direct selling is a good way to own a business with a minimal initial investment.
- Earnings are accrued in proportion to personal efforts.

Anyone can do it.

There are no required levels of education, experience, financial resources or physical condition. People of all ages and from all backgrounds have succeeded in direct selling.

Direct sellers are independent contractors. You are your own boss, which means you can:

- Work part-time or full-time - you choose when and how much you want to work.
- Set your own goals and determine yourself how to reach them.
- Earn in proportion to your own efforts. The level of success you can achieve is limited only by your willingness to work hard.
- Own a business of your own with very little capital investment.
- Receive training and support from an established company and a network of independent associates who have perfected the art of direct selling and network building.

## CODE OF ETHICS



- [About Direct Selling](#)
- [Benefits of Direct Selling](#)
- [Avoiding Illegitimate Schemes](#)
- [World Codes of Conduct](#)

### Avoiding Illegitimate Schemes

What is a pyramid scheme? Pyramid selling is a fraud. It is a mechanism by which promoters of so-called "investment" or "trading" schemes enrich themselves in a geometric progression through the payments made by recruits to join the schemes. The products, if any, associated with pyramid schemes are typically not resalable to consumers for prices at or above those charged by the companies and are typically sham products used to disguise high, required up front payments to join the scheme. Some other terms used in various international jurisdictions for the same or similar unlawful schemes are "chain letters," "snow balls," "chain selling," "money games," "referral selling," and "investment lotteries."

#### Things you should know about pyramid schemes

- *They are losers.* Pyramid selling is based on simple mathematics: many losers pay a few winners.
- *They are fraudulent.* Participants in a pyramid scheme are, consciously or unconsciously, deceiving those they recruit. Few would pay to join if the diminishing odds of success were explained to them.
- *They are illegal.* There is a real risk that a pyramid operation will be closed down by the officials and the participants subject to fines and possible arrest.

#### Why would anyone pay to join a pyramid scheme?

Pyramid promoters are masters of group psychology. At recruiting meetings they create a frenzied, enthusiastic atmosphere where group pressure and promises of easy money play upon people's greed and fear of missing a good deal. Thoughtful consideration and questioning are discouraged. It is difficult to resist this kind of appeal unless you recognize that the scheme is rigged against you.

#### How to Protect Yourself

- *Take your time.* Don't let anyone rush you. A good opportunity to build a business in a multilevel structure will not disappear overnight. People who say "get in on the ground floor" are implying that people joining later will be left out in the cold. BEWARE!
- *Ask questions About the Company and its officers:*
  - About the products - their cost, fair market value, source of supply, and potential market in your area.
  - About the start up fee (including required purchases).
  - About the company's guaranteed buy-back of required purchases.
  - About the average earnings of active distributors at various levels in the compensation program.
  - Get written copies of all available company literature.
  - Consult with others who have had experience with the company and its products. Check to see if the products are actually being sold to consumers.
  - Investigate and verify all information. Do not assume that official looking documents are either accurate or complete.
  - Check with various consumer protection groups to make sure the company has a satisfactory history of complaint resolution. Please refer to the US Direct Selling Education Foundation's pyramid scheme brochure for more information on pyramid schemes.

## CODE OF ETHICS



- [About Direct Selling](#)
- [Benefits of Direct Selling](#)
- [Avoiding Illegitimate Schemes](#)
- [World Codes of Conduct](#)

### World Codes of Conduct

Our DSA and its member companies pledge to adopt a Code of Ethics based on the World Federation of Direct Selling Associations World Codes of Conduct.

The WFDSA World Codes of Conduct are the cornerstone of the global direct selling industry's commitment to ethical business practices and consumer service. Every national DSA and its member companies pledge to adopt a Code of Ethics based on the World Codes and their individual country Codes of Ethics. The codes are a condition of admission and continuing membership in WFDSA. The World Codes also apply in countries where no DSA exists or a local DSA has not yet adopted a local Code of Ethics This is known as the "extra-territoriality" provision of the Codes

#### Key provisions of the WFDSA Codes include:

- Cooling-Off Period and Return of Goods - under the Codes, companies and direct sellers must ensure that order forms contain a cooling-off clause that permits the customer to withdraw from the order within a specified period of time. Cooling-off periods vary from country to country. In the United States, the Federal Trade Commission Cooling-off Rule allows the consumer three (3) business days from the contract date to cancel an order. Many member companies of the US Direct Selling Association have a longer cooling-off period for customers. Some companies have an unconditional money-back guarantee. Longer cooling-off periods are provided in many European countries and under the European Union's Doorstep Selling Directive.
- Inventory Loading – to eliminate inventory loading, all Direct Selling Association (DSA) member companies should not require or encourage direct sellers to purchase product inventory in unreasonably large amounts. Some country DSAs require their member companies to provide at least 90 percent refund of net cost of all inventory and sales aids that were purchased within the specified period of time (three months, six, months, etc.)
- Fees - companies and direct sellers are prohibited from using misleading, deceptive or unfair recruiting practices. Unreasonably high fees are prohibited, including high entrance fees, training and promotional fees.
- Exaggerated Earnings Claims - under the WFDSA World Codes of Conduct, companies and direct sellers are prohibited from misrepresenting the actual or potential sales or earnings of their direct sellers. Any earnings or sales representations must be based upon documented facts.
- National DSA Code of Ethics

Individual country DSA Codes of Ethics are enforced by an independent Code Administrator who is not connected with any member company. The Code Administrator will do everything possible to resolve any complaint to the satisfaction of everyone involved and has the power to decide on remedies. All member companies have agreed to honor the Code Administrator's decisions. If you have a complaint against a direct selling company that is a member of any affiliated DSA for any business practice you believe is unethical or illegal and a possible violation of the Codes, we recommend following this complaint process:

- First, contact the salesperson immediately and explain your concerns;
- Second, if the salesperson cannot or will not correct the problem to your satisfaction, call or write the company and explain the situation and outline the steps you would like to see taken.
- If the company does not resolve your problem and it is a member of a country DSA affiliated with the WFDSA you may wish to file a complaint with the DSA Code Administrator. If the company does not

belong to the WFDSA affiliated DSA in the country in which it has done business with you, but it belongs to a DSA in its home country, file a complaint with that Code Administrator. Please note, however, that DSAs can only take action against DSA member companies.